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March 15, 2016

IDAHO PUBLIC
UTILITIES COMMISSION

VIA OVERNIGHT DELIVERY

Jean D. Jewell
Commission Secretary
Idaho Public Utilities Commission
472 W. Washington
Boise, ID 83702

**Re: CASE NO. PAC-E-16-05
IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER
REQUESTING APPROVAL OF THE \$16.7 MILLION NET POWER COST
DEFERRAL AND AUTHORITY TO DECREASE RATES BY \$9.0 MILLION**

Dear Ms. Jewell:

Please find enclosed an original and seven (7) copies of Rocky Mountain Power's Reply comments in the above referenced matter

Informal inquiries may be directed to Ted Weston, Idaho Regulatory Manager at (801) 220-2963.

Very truly yours,

Jeffrey K. Larsen
Vice President, Regulation

Enclosures

CC: Steven D. Spinner
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Attorney for Rocky Mountain Power

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION) CASE NO. PAC-E-16-05
OF ROCKY MOUNTAIN POWER)
REQUESTING APPROVAL OF THE \$16.7) REPLY COMMENTS OF
MILLION NET POWER COST DEFERRAL) ROCKY MOUNTAIN POWER
AND AUTHORITY TO DECREASE RATES)
BY \$9.0 MILLION)
)

BACKGROUND

On February 1, 2016, the Company filed an application (“Application”) with the Idaho Public Utilities Commission (“Commission”) pursuant to the Company’s approved energy cost adjustment mechanism (“ECAM”) for authority to adjust its Schedule 94, ECAM rates by \$9.0 million and approval of approximately \$16.7 million deferred net power costs from the deferral period beginning December 1, 2014 through November 30, 2015 (“Deferral Period”).

The Company requested approval to add \$16.7 million into the ECAM balancing account for the Deferral Period, which would bring the total ECAM balance to approximately \$23.8 million as of November 30, 2015. The Company proposed to adjust Schedule 94 to collect approximately \$14.5 million over the period beginning April 1, 2016 through March 31, 2017, representing a decrease of \$9.0 million over the current Schedule 94 rate.

On March 9, 2015, Monsanto filed comments and did not propose any specific monetary adjustments but stated it would support a monthly back cast adjustment versus an annual adjustment.

Staff of the Commission (“Staff”) filed comments on March 10, 2015 responding to the Application. Staff proposed two adjustments to the Company’s deferred balance associated with the back cast adjustment adopted by the Commission¹ in the 2014 ECAM filing. First, Staff proposed changes to correct an error in the back cast calculation, and second, Staff proposed the back cast adjustment be accounted for monthly.

REPLY COMMENTS

Changes to Back Cast Adjustment

Staff recommended that the Commission decrease the Company’s proposed deferral by \$51,343 to account for errors in the calculation of the back cast adjustment relating to the separation of the Deer Creek mine depreciation from Base net power costs (“NPC”) beginning January 1, 2015. The Company does not oppose this adjustment.

Monthly Back Cast Adjustment

Staff recommends and Monsanto supports that the back cast adjustment be accounted for on a monthly basis. This change only affects the interest calculation in the balancing account; therefore, Staff recommends that the Commission decrease the Company’s proposed balancing account \$7,907 in addition to the decrease to the deferral due to the back-cast adjustment mentioned above. The Company opposes this adjustment because the proposed monthly approach is inconsistent with the annual back cast adjustment recommended by Staff and approved by the Commission in the 2014 ECAM. Additionally, base rates are set in a general rate case using *annual* NPC and *annual* billing determinants. Idaho’s base billing determinants

¹ Order No. 33008, Case No. PAC-E-14.01.

were 3,328,058 megawatt-hours and the Company's billing determinants and collections did not exceed the base NPC and megawatt-hours until November 2015. Monthly calculations of over-collection of NPC are impossible given actual megawatt-hours didn't actually exceed base level NPC until November 2015; therefore, it would be highly inappropriate to approve Staff's monthly back cast adjustment.

CONCLUSION

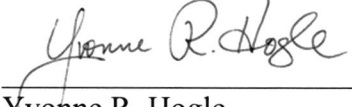
The Company does not oppose Staff's proposed adjustment to reduce the deferral by \$51,343 to account for errors in the calculation of the back cast adjustment relating to the separation of the Deer Creek mine depreciation from Base net power costs ("NPC") beginning January 1, 2015. The Company opposes Staff's recommendation that the back cast adjustment be accounted for on a monthly basis for the reasons described above.

The Company recommends that, due to the minimal impact that Staff's proposed adjustment would have on the rate design, the Commission approve Electric Service Schedule No. 94 as filed in Exhibit No. 3 to the Company's Application.

WHEREFORE, Rocky Mountain Power respectfully requests that the Commission:

- (1) approve a deferral balance of \$16,577,736 (before interest) which includes Staff's proposed reduction of \$51,343;
- (2) reject Staff's recommendation to spread the back cast monthly; and
- (2) approve the Electric Service Schedule No. 94 effective April 1, 2016.

DATED this 15th day of March, 2016.



Yvonne R. Hogle
Attorney for Rocky Mountain Power

CERTIFICATE OF SERVICE

I hereby certify that on this 15th of March, 2016, I caused to be served, via e-mail, a true and correct copy of the Reply Comments in PAC-E-16-05 to the following:

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